THE FOREST INDUSTRY SNAPSHOT:
Ministry of Forests, Mines and Lands

November 2010

BRITISH COLUMBIA
The Best Place on Earth

A Selection of Monthly Economic Statistics

Points of interest:

China Trade Mission

Minister Bell led the largest-ever B.C. forestry trade mission to China from Oct. 28 - Nov. 8, 2010, resulting in lumber sales of 418 million board feet.

Soaring Exports to China

Another record breaking month was witnessed in September with China accounting for **27.1%** of B.C.'s total forest products export value. The year-to-date value increased 57.8% from the 2009 level with the largest increases in: Logs 235.7%; Lumber 78.1%; and, Pulp 44.9%. A stronger 4th quarter is expected due to the recent China trade mission.
More on China on page 3.

China by the Numbers

1.3 billion: the population of China;
9.6%: China's real GDP average growth from 2000 – 2009. It is expected to grow at an average rate of **9.1%** over the next 5 years (source: RISI);
US $1 trillion: the value of China's imports in 2009 est., 2nd to the U.S. at $1.6 trillion (source: WTO);
US $1.2 trillion: the value of China's exports in 2009 est., #1 in the world (source: WTO).

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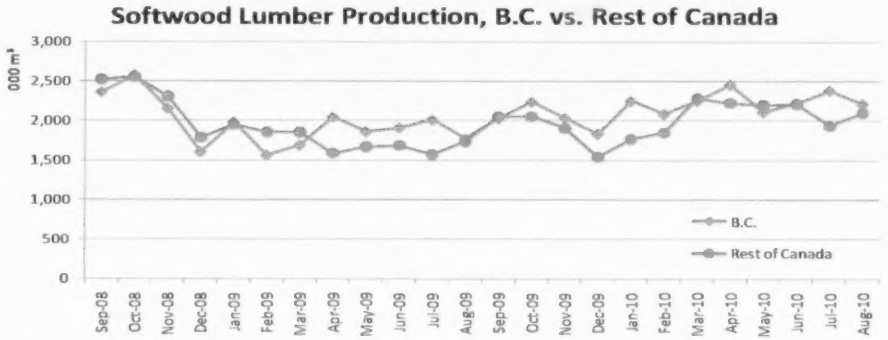
LUMBER PRICES & U.S. HOUSING



Data sources: Madison's, US Census Bureau and Statistics Canada *Seasonal Adjusted Annual Rates (SAAR)

- **U.S. housing activity remains depressed** with **519,000** units (SAAR* preliminary) of **housing starts** in October, down 11.7% from September, and up 8.1% from the 2009 year-to-date average. It is projected that the outlook for U.S. housing is still L-shaped, with a bit of an upward tilt to allow for modest improvement over the next year or so (source: Goldman Sachs U.S. Economics Analyst).

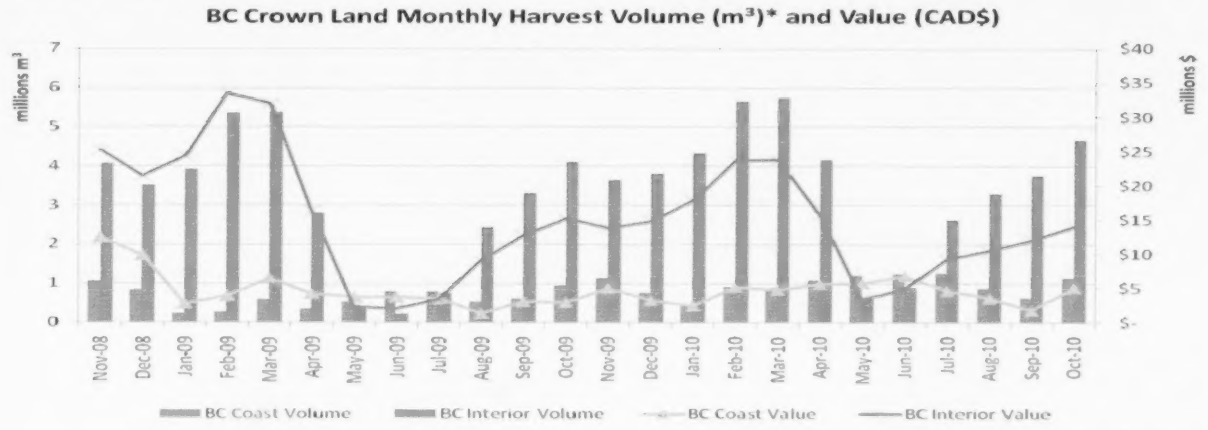
- **It is projected that the recovery of the U.S. economy will remain sluggish** in the rest of 2010 and early 2011. U.S. GDP is estimated at well below 2% in Q4 2010 due to economic malaise caused by a variety of factors such as high unemployment, a weak housing market, lower consumer confidence, and increased debts. (source: Wood Markets Monthly International Report).

- While the U.S. economy is still struggling to recover, China's demand for North American lumber and logs is rapidly growing, especially for B.C. lumber. The impact is most readily evident in B.C. Interior spruce-pine-fir (SPF) lumber and increasingly in B.C. coastal lumber prices. **SPF 2x4s** averaged at **US$246**/000 bd ft in October while the **Random Lengths Lumber Composite** averaged at **US$254**/000 bd ft.

- **B.C. softwood lumber production** dropped 7.1% in August from July to 2.21 million m³. It is up 21.1% from the 2009 year-to-date level. **Rest of Canada** softwood lumber production increased 8.7% in August from July, and up 19.2% from the 2009 year-to-date level.

 The information in this report was compiled from a variety of sources by the MFML Competitiveness Branch. Data contained in this report is not intended to have any predictive capacity.

HARVESTING



Data source: Harvest Billing System of Ministry of Forests, Mines and Lands.

**All logs, special forest products, species and grades billed to crown land excluding waste, reject and Christmas trees.*

COAST Crown land **harvest volume was 1.14 million m³** in October, up 70.1% on the year-to-date basis from the 2009 level. **Harvest value was $5.06 million** in October, up 39.7% on the year-to-date basis from the 2009 level.

INTERIOR Crown land **harvest volume was 4.66 million m³** in October, up 24.7% on the year-to-date basis from the 2009 level. **Harvest value was $14.0 million** in October, down 0.6% on the year-to-date basis from the 2009 level.

EXPORTS

Data source: BC Stats.

In the month of September:

- **B.C. origin forest products exports** totalled $742 million, up 31.4% on the year-to-date basis compared to the 2009 level;
  - **Wood products exports** totalled $420 million, up 35.1% from the 2009 level on the year-to-date basis; and,
  - **Pulp & paper products** totalled $322 million, up 27% from the 2009 level on the year-to-date basis.
- **The U.S. share of B.C. forest products export value** dropped to **42.5%**. **China** (including Hong Kong)'s share increased to **27.1%** and **Japan's** share increased to **13.1%.**

In the first 9 months of 2010:

- **U.S.** accounted for **47.5%** of **B.C.'s total forest products exports** value, followed by **China (including Hong Kong)** (**21.2%**) and **Japan** (**12.6%**).
- **B.C.'s Softwood Lumber exports:**
  - **U.S.** accounted for 54.1% of total value and 62.8% of total volume (m^3);
  - **Japan** accounted for 18.1% of total value and 11.7% of total volume (m^3); and,
  - **China including Hong Kong** accounted for 15.6% of total value and 18.0% of total volume.

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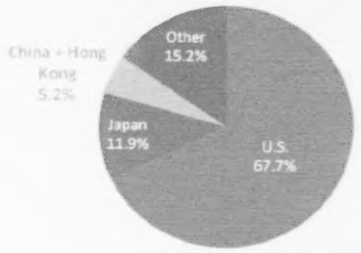
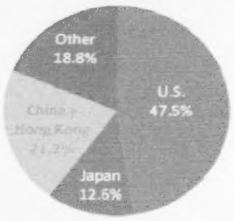
A CLOSER LOOK AT THE CHINA MARKET

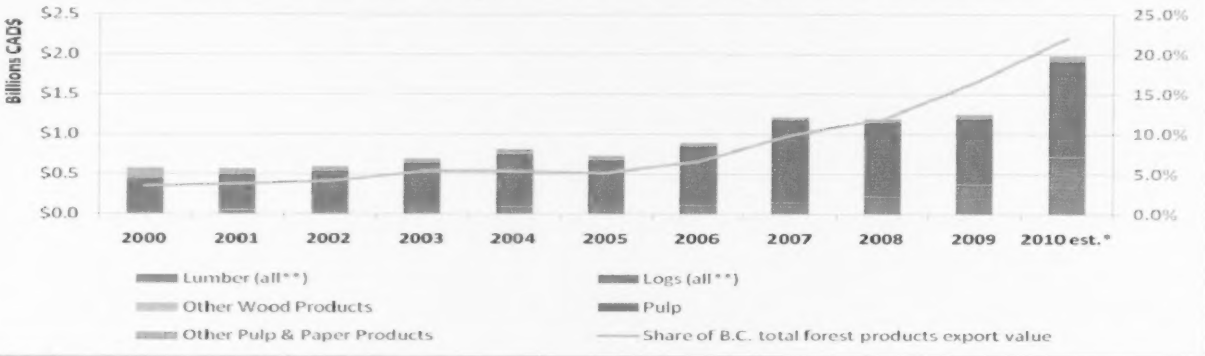
Share of BC Forest Products Export Value ($14.13 billion) in 2005:



Share of BC Forest Products Export Value ($6.77 billion) in 2010 YTD (Jan. - Sep.)



B.C. Forest Products Export Value to China, 2000 - 2010 est*.



*Data source: Statistics Canada. ** Included all species (coniferous + non-coniferous)*

**Estimated by applying 2010 YTD (Jan - Sep) / 2009 YTD (Jan - Sep) ratio to 2009 annual data, assuming the rest of 2010 (Oct. - Dec.) would have same rate of change from 2009 as the first 9 months.*

- **China's demand for fibre** continues to increase, and some of the contributing factors include: **urbanization** creating housing demands; **rural development** that encourages the use of wood in housing components such as doors and floors; a **fibre supply gap** until new plantations can provide an increased domestic supply; and, increasing **exports of forest products** from China, especially wooden furniture to ASEAN countries.

- **The Governments of B.C. and Canada and the forest industry** have been **working together since 2003** to respond to China's increasing fibre needs. They have increased marketing, promotion, and branding activities to generate market demand for B.C. wood products in China through initiatives such as: establishment of government-to-government **relationships**; adoption of a national **wood building code**; co-operation on **wood demonstration projects**; introduction of wood-construction skills **training**; emergence of a **wholesale supply network**; and, **trade agreements** allowing access to ports for forest products shipments year-round.

- **Some of the factors** contributing to **B.C.'s competitive position** in China include: **Russia's 25% log export tax** is eroding its cost advantage over North American suppliers of logs and lumber to China; China's increasing demand for **softwood** over tropical hardwood; and **B.C.'s ports of Vancouver and Prince Rupert** are well located to serve Asian markets.

- **Several B.C. sawmills** are responding with a **long-term focus on new market opportunities** through changes to equipment, product specifications and grade-mix (source: Woodbridge Associates);

- **B.C. forest products exports to China** (including Hong Kong) have increased dramatically over the past decade, partially offsetting declines in exports to the U.S. and Japan. China is now the **2nd largest export market** of B.C. forest products exports value with a share of **21.2%** in the first 9 months of 2010, right after U.S. (47.5%) and ahead of Japan (12.6%) (see pie charts above).

- **B.C. exported $1.43 billion of forest products** to China in the first 3 quarters of 2010, up 58% from the 2009 level. Pulp was the most popular product with a share of 59.3% of total forest products value, followed by lumber (29.5%); logs (6.4%); and, other products (4.9%).

- In September, **Canada surpassed Russia** for the first time to become the **largest supplier of lumber** to China in volume with a **share of 30.2%**, of which **99% was supplied by B.C.**, followed by: Russia (27%); U.S. (10.7%); and, Thailand (8%). China imported 9.86 million m^3 of lumber in 2009 (source: Wood Markets China Bulletin).

- In 2009, China imported 11.3 million tonnes of **pulp. Brazil** was the **largest supplier** to the China market, with a share of 22% of China's total pulp imports volume, followed by Chile (17%), **Canada (14%**, of which **73.9% was supplied by B.C.**), U.S. (12%) and Indonesia (11%)(source: Forestry Innovation Investment Ltd.).

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DATA SUMMARY

Monthly Economic Statistics - November 2010

	Latest Month		Month Ago	M/M Change	Year Ago	Y/Y Change	2010 YTD	2009 YTD	YTD/YTD* Change
Lumber Prices *(US $/000 bd ft)*									
SPF 2x4	*Oct 10*	**$246**	$232	6.0%	$191	28.8%	$250	$175	42.9%
Random Lengths Lumber Composite	*Oct 10*	**$254**	$250	1.6%	$235	8.1%	$284	$217	30.9%
SPF 2x10	*Oct 10*	**$319**	$315	1.3%	$316	0.9%	$316	$235	34.5%
SPF Stud	*Oct 10*	**$220**	$209	5.3%	$194	13.4%	$253	$186	36.0%
Cedar 2x4	*Oct 10*	**$650**	$650	0.0%	$650	0.0%	$650	$617	5.3%
Hemlock Squares	*Oct 10*	**$780**	$780	0.0%	$767	1.7%	$782	$767	2.0%
Panel Prices *(CDN$/000 sq ft)*									
Plywood	*Oct 10*	**$328**	$331	-0.9%	$316	3.8%	$340	$312	9.0%
OSB	*Oct 10*	**$209**	$213	-1.9%	$186	12.4%	$260	$204	27.5%
Pulp & Paper Prices *(US$/tonne)*									
NBSK Pulp	*Oct 10*	**$968**	$972	-0.4%	$739	31.0%	$925	$631	46.6%
Newsprint (US Eastcoast)	*Oct 10*	**$621**	$612	1.5%	$464	33.8%	$574	$594	-3.4%
US$/CDN$ Exchange Rate	*Oct 10*	**0.9823**	0.9680	1.5%	0.9480	3.6%	0.9672	0.8665	11.6%
Housing Starts *(000 units)*									
US *(Seasonally Adjusted Annual Rates)*	*Oct 10*	**519**	588	-11.7%	529	-1.9%	593	549	8.1%
Canada	*Oct 10*	**168**	185	-9.2%	167	0.4%	193	143	35.6%
Japan Wood-based	*Sep 10*	**41**	42	-2.2%	39	5.6%	334	310	7.9%
BC Lumber Production *(000 m³)*	*Aug 10*	**2,215**	2,385	-7.1%	1,773	24.9%	17,979	14,841	21.1%
Coast	*Aug 10*	**230**	259	-11.2%	203	13.4%	1,889	1,569	20.4%
Interior	*Aug 10*	**1,985**	2,126	-6.6%	1,570	26.4%	16,090	13,272	21.2%
BC Market Pulp Shipments *(000 tonne)*	*Sep 10*	**361**	332	8.7%	280	28.9%	3,113	2,484	25.3%
BC Origin Forest Products Exports by Products *(million $)*	*Sep 10*	**742**	751	-1.2%	645	15.0%	6,771	5,151	31.4%
Wood Products	*Sep 10*	**$420**	$420	0.0%	$361	16.3%	$3,812	$2,821	35.1%
Pulp & Paper products	*Sep 10*	**$322**	$330	-2.6%	$284	13.4%	$2,958	$2,330	27.0%
Shares of BC Forest Products Exports Value *(%)*									
US	*Sep 10*	**42.5%**	44.6%	-4.7%	52.6%	-19.2%	47.5%	60.1%	-21.0%
China & Hong Kong	*Sep 10*	**27.1%**	23.1%	17.3%	15.5%	74.8%	21.2%	15.8%	34.2%
Japan	*Sep 10*	**13.1%**	12.8%	2.3%	13.1%	0.0%	12.6%	12.0%	5.0%
Other	*Sep 10*	**17.2%**	19.5%	-11.8%	18.8%	-8.5%	18.8%	11.8%	59.3%
Market Shares of US Lumber Consumption *(%)*									
BC	*Aug 10*	**14.7%**	16.9%	-13.0%	16.9%	-13.2%	17.0%	15.8%	7.8%
Rest of Canada	*Aug 10*	**10.8%**	10.2%	5.7%	10.7%	0.8%	11.0%	10.3%	6.2%
US Domestic Supply	*Aug 10*	**74.5%**	72.9%	2.2%	70.5%	5.7%	72.0%	73.7%	-2.2%
3rd Country	*Aug 10*	**1.4%**	1.4%	-0.7%	1.3%	6.8%	1.4%	1.9%	-25.9%
BC Crown Land Harvesting Volume *(000 m³)*	*Oct 10*	**5,797**	4,371	32.6%	5,060	14.6%	45,389	34,337	32.2%
Coast	*Oct 10*	**1,138**	622	83.0%	952	19.5%	9,663	5,680	70.1%
Interior	*Oct 10*	**4,659**	3,749	24.3%	4,108	13.4%	35,726	28,657	24.7%
BC Crown Land Harvesting Value *(million $)*	*Oct 10*	**$19.1**	$13.7	39.0%	$18.1	5.5%	$180.2	$168.1	7.2%
Coast	*Oct 10*	**$5.1**	$1.7	190.0%	$2.94	72.4%	$45.48	$32.57	39.7%
Interior	*Oct 10*	**$14.0**	$12.0	16.9%	$15.13	-7.5%	$134.76	$135.53	-0.6%
BC Forestry Employment (LFS) *(000 jobs)*	*Oct 10*	**50.3**	53.6	-6.2%	54.3	-7.4%	56.1	51.5	8.9%
Forestry & Logging	*Oct 10*	**12.9**	13.6	-5.1%	15.9	-18.9%	17.8	13.3	33.8%
Wood Products	*Oct 10*	**29.8**	30.8	-3.2%	28.8	3.5%	28.2	26.8	5.2%
Paper Products	*Oct 10*	**7.6**	9.2	-17.4%	9.6	-20.8%	10.1	11.4	-11.4%
BC Log Exports									
Volume (*000 m³*)	*Sep 10*	**276**	376	-26.5%	279	-1.1%	2,836	2,007	41.3%
Value (*million $*)	*Sep 10*	**$25**	$35	-29.4%	$23	7.1%	$280	$191	46.5%

** based on calendar year*

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